

Dave Kubeczko - DNR

From: Dave Kubeczko - DNR
Sent: Monday, June 30, 2014 8:12 AM
To: Dave Kubeczko - DNR
Subject: FW: Final Resend of: DeJour Energy (USA) Corporation, Well Pad 21B Location, SENE Sec 21 T6S R91W, Garfield County, Form 2A#400210493 Review; with revised COAs

Categories: Operator Correspondence

Scan No 2107018 CORRESPONDENCE 2A#400210493

From: Neyeska Mut [mailto:ngmut@dejour.com]
Sent: Monday, June 30, 2014 8:00 AM
To: 'Dave Kubeczko - DNR'
Cc: Rick Obernolte; Bill Yokley - DNR; Barbara Westerdale - DNR
Subject: RE: Final Resend of: DeJour Energy (USA) Corporation, Well Pad 21B Location, SENE Sec 21 T6S R91W, Garfield County, Form 2A#400210493 Review; with revised COAs

Good morning Dave and team,
After reviewing final terms you have presented us, we accept the conditions you have laid out for approval of our proposal for operations on Pad 21b at East Kokopelli.
I very much appreciate your team's extraordinary efforts in working with us to nail this down quickly.

Thanks.
Neyeska

Neyeska G. Mut
Executive Vice President-Operations



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From: Dave Kubeczko - DNR [mailto:dave.kubeczko@state.co.us]
Sent: Monday, June 30, 2014 7:28 AM
To: Neyeska Mut
Cc: Rick Obernolte; Bill Yokley - DNR; Barbara Westerdale - DNR
Subject: Final Resend of: DeJour Energy (USA) Corporation, Well Pad 21B Location, SENE Sec 21 T6S R91W, Garfield County, Form 2A#400210493 Review; with revised COAs

Neyesha,

Based on an email response from Rick Obernolte on June 29, 2014, COGCC has revised the Form 2A and either added COAs (highlighted yellow below) or removed COAs (highlighted black below). Once COGCC receives concurrence of these COAs, the Form 2A can be approved. If you have any questions, please do not hesitate to call me at (970) 309-2514 (cell), or email. Thanks.

Dave

David A. Kubeczko, PG
Oil and Gas Location Assessment Specialist
Western Colorado



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From: Dave Kubeczko - DNR [mailto:dave.kubeczko@state.co.us]

Sent: Sunday, June 29, 2014 5:57 PM

To: ngmut@dejour.com

Cc: Rick Obernolte

Subject: Resend of: DeJour Energy (USA) Corporation, Well Pad 21B Location, SENE Sec 21 T6S R91W, Garfield County, Form 2A#400210493 Review; with MLVT Policy attachment

Neyesha,

I have been reviewing the Well Pad 21B Location **Form 2A** (#400210493). In order for COGCC to complete our review of this Form 2A, Dejour Energy (USA) Corporation (DeJour) needs to submit, and receive approval of in concurrence with approval of the Form 2A, a Form 15 Earthen Pit permit for the proposed Production/Flowback pit at this location. In addition, since Dejour plans on using large volume storage tanks (LVTs) of 25,00 bbls, they must submit construction BMPs and other requirements outlined in the following attached COGCC policy, "**POLICY ON THE USE OF MODULAR LARGE VOLUME TANKS IN COLORADO**", dated June 13, 2014. COGCC also requests clarification as to the number of wells proposed for this location, since the Form 2A indicates that 12 wells are to be drilled; however, the Multi-Well Plan submitted by Dejour, and the number of Form 2s submitted for review and approval, indicates only 8 wells. COGCC can make this change.

Based on the Oil and Gas Location Assessment (OGLA) review, COGCC would like to attach the following conditions of approval (COAs) based on the information and data Dejour has submitted on or attached to the Form 2A prior to passing the Oil and Gas Location Assessment (OGLA) review.

Planning: The following conditions of approval (COAs) will apply:

COA 91 - Notify the COGCC 48 hours prior to start of pad construction, pit construction, pit liner installation, pit liner hydrostatic testing, rig mobilization, spud, pipeline testing, start of hydraulic stimulation operations, and start of flowback operations using Form 42 (the appropriate COGCC individuals will automatically be email notified, including the LGD for hydraulic stimulation operations).

Construction: The following conditions of approval (COAs) will apply:

COA 23 - Operator must ensure secondary containment for any volume of fluids contained at well site during drilling and completion operations; including, but not limited to, construction of a berm or diversion dike, diversion/collection trenches within and/or outside of berms/dikes, site grading, or other comparable measures sufficiently protective of nearby surface water. Any berm constructed at the well pad location will be stabilized, inspected at regular intervals (at least every 14 days), and maintained in good condition.

COA 46 - The location is in an area of moderate run off/run-on potential; therefore the pad shall be constructed to prevent any stormwater run-on and/or stormwater runoff. Standard stormwater BMPs must be implemented at this location to insure compliance with CDPHE and COGCC requirements and to prevent any stormwater run-on and /or stormwater runoff.

COA 44 - The access road will be constructed and maintained as to not allow any sediment to migrate from the access road to nearby surface water or any drainages leading to surface water.

COA 76 - Strategically apply fugitive dust control measures, including enforcing established speed limits on private roads, to reduce fugitive dust and coating of vegetation and deposition in water sources.

COA 48 - Operator must submit an as-built drawing (plan view and cross-sections) of the well pad and associated equipment within 30 calendar days of construction.

COA 52 - If permanent crude, condensate, and water tanks are placed at the site (currently all fluids will be piped, operator shall install a steel containment ring around tank batteries to provide secondary containment and install a synthetic liner that underlies the entire battery and is keyed into the top of the containment ring.

Drilling/Completions: The following conditions of approval (COAs) will apply:

COA 38 - The moisture content of any drill cuttings in a cuttings trench or pile shall be as low as practicable to prevent accumulation of liquids greater than de minimis amounts. At the time of closure, if drill cuttings are to remain/disposed of onsite, they must also meet the applicable standards of table 910-1. **If a liner has been placed in the cuttings trench, it must be removed and disposed of as solid waste per CDPHE rules, prior to replacing dried cuttings into the trench.**

COA 25 - If the wells are to be hydraulically stimulated, flowback and stimulation fluids must be sent to tanks, separators, or other containment/filtering equipment before the fluids can be placed into any pipeline or storage vessel located on the well pad; or pit located on the well pad; or into tanker trucks for offsite disposal. The flowback and stimulation fluid tanks, separators, or other containment/filtering equipment must be placed on the well pad in an area constructed to be sufficiently impervious to contain any spilled or released material.

COA 46 - Operator will use qualified containment devices for all appropriate chemicals/hazardous materials used onsite during hydraulic stimulation operations.

COA 40 - Operator will implement measures to ensure that adequate separation of hydrocarbons from the influent occurs to prevent accumulation of oil on the surface of stored fluids. Operator shall also employ a method for monitoring buildup of phase-separated hydrocarbons on the surface of stored fluids.

Material Handling and Spill Prevention: The following conditions of approval (COAs) will apply to the Form 2A Permit if any temporary surface or buried permanent pipelines (poly or steel) are used during operations at the well pad location or nearby well pads:

COA 45 - Operator shall pressure test pipelines in accordance with Rule 1101.e.(1) prior to putting into initial service any temporary surface or permanent buried pipelines and following any reconfiguration of the pipeline network.

COA 49 - Operator must routinely inspect the entire length of the surface pipeline to ensure integrity. Operator shall conduct daily inspections of surface poly pipeline routes for leaks during active transfer of fluids and implement best management practices to contain any unintentional release of fluids along all portions of the surface pipeline route where temporary pumps and other necessary equipment are located. Inspections shall be conducted by viewing the length of the pipeline; operator will endeavor to minimize surface disturbance during pipeline monitoring. The operator shall maintain records of inspections, findings and repairs, if necessary, for

the life of the pipelines. In addition, pump stations along the surface poly or steel pipeline route will be continuously monitored when operating in order to swiftly respond to such a failure.

COA 54 - Operator must ensure no release of fluids at all stream, intermittent stream, ditch, and drainage crossings. For these crossings: operator will ensure appropriate containment by either installing over-sized pipe "sleeves" which extend the length of the crossing and beyond to a distance deemed adequate to capture and/or divert any possible release of fluids and prevent fluids from reaching the stream or drainage; or installing oversized pipe "sleeves" which extend the length of the crossing and installing shut off valves on either side of crossing instead of catchment basins.

COA 55 - Operator will utilize, to the extent practical, all existing access and other public roads, and/or existing pipeline right-of-ways, when placing/routing the subsurface and, if necessary and surface, pipelines. This will reduce surface disturbance and fragmentation of wildlife habitat in the area.

Form 15, Earthen Pit Permit, Construction: The following conditions of approval (COAs) will apply to both the Form 2A and the Form 15 Pit Permit:

COA 47 - The produced water/flowback fluid pit must be double-lined. The pit will also require a leak detection system (Rule 904.e).

COA 39 - No portion of any pit that will be used to hold liquids shall be constructed on fill material, unless the pit and fill slope are designed and certified by a professional engineer, subject to review and approval by the director prior to construction of the pit. The construction and lining of the pit shall be supervised by a professional engineer or their agent. The entire base of the pit must be in cut.

COA 49 - The produced water/flowback fluid pit must be fenced and netted. The operator must maintain the fencing and netting until the pit is closed.

COA 66 - Delivery and vacuum truck hoses will not be allowed to be placed directly onto the pit liner. Operator will construct a loading/unloading station located next to the pit, to deliver fluids to or remove fluids from the pit by truck. The loading/unloading station shall be designed and utilized to prevent hoses from being dropped into the pits and dragged over the liner, which could lead to liner damage. The loading/unloading station will be the only permitted access for manual fluids transfers to or from the pit. Vehicles will not be allowed to approach the pit any closer than the loading/unloading station. Each station will have a catch basin in case a leak occurs while operations personnel are connecting or disconnecting hoses. Signs clearly marking the truck loading/unloading station shall be provided and maintained by the operator.

COA 48 - Operator must submit as-built drawings (plan view and cross-sections) of the produced water/flowback fluid pit within 14 calendar days of construction.

COA 22 - After installation of the uppermost liner and prior to operating the pit, the synthetic liner(s) shall be tested by filling the pit with at least 70 percent of operating capacity of water, measured from the base of the pit (not to exceed the 2-foot freeboard requirement). The operator shall monitor the pit for leaks for a period of 72 hours prior to draining the pit and commencing operations. The leak detection system must also be monitored during the entire test. Operator shall notify the COGCC using a Form 42 forty-eight (48) hours prior to start of the hydrotest. Hydrotest monitoring results must be maintained by the operator for the life of the pit and provided to COGCC prior to using the pit.

COA 21 - Surface water samples (one upgradient and one downgradient from the pit/well pad location) from Garfield Creek located approximately 2693 feet to east-northeast (if water is present) shall be collected prior to pit use and every 12 months to evaluate potential impacts from pit operations. At a minimum, the surface water samples will be analyze for the following parameters: major cations/anions (chloride, fluoride, sulfate, sodium); total dissolved solids (TDS); and BTEX/DRO.

COA 29 - The operator shall submit, and receive approval of, a reuse and recycling plan per Rule 907.a.(3), prior to any offsite reuse/recycling of pit fluids.

COA 27 - Submit additional disposal facilities (wells, pits, etc.), if necessary (i.e., if original disposal option changes), for pit liquid contents to COGCC via a Form 4 Sundry prior to disposal.

COA 28 - The produced water/flowback fluid pit shall be closed in accordance with Rule 905. Closure of Pits, and Buried or Partially Buried Produced Water Vessels; with an approved Site Investigation and Remediation Workplan, Form 27.

COGCC would appreciate your concurrence with attaching these COAs to the Form 2A permit prior to passing the OGLA review. If you have any questions, please do not hesitate to call me at (970) 309-2514 (cell), or email. Thanks.

Dave

David A. Kubeczko, PG
Oil and Gas Location Assessment Specialist
Western Colorado



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